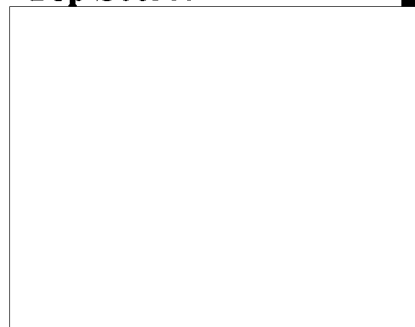
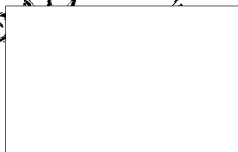




Director of
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National Intelligence Daily

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***Thursday
11 March 1982***

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CO NID 82-0581X

11 March 1982

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①

CENTRAL AMERICA: Military Offensive in El Salvador

The armed forces in El Salvador are taking the military initiative in order to upset insurgent plans to disrupt the elections. Meanwhile, the Guatemalan Government appears headed for a showdown with opposition parties protesting the election of General Guevara. In Mexico, the Secretary of Defense has expressed concern that the Guatemalan insurgency may eventually spread to his country.

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The Salvadoran Army has begun a large-scale offensive against a major insurgent base area in the central part of the country. Almost 2,000 troops are involved in the operation, which was launched with unusual security precautions to avoid tipping off the guerrillas.

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The base area is a key point in the distribution of insurgent supplies throughout El Salvador. It also is a potential staging area for an attack on one of the remaining bridges across the Lempa River.

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Comment: The Army's most recent offensive apparently upset insurgent plans to attack San Salvador, and this operation may disrupt guerrilla raids on cities in the country's central and eastern regions.

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Postelection Crisis in Guatemala

All three opposition leaders are calling for demonstrations against electoral fraud, including a daily one-hour work stoppage. These protests are to culminate in a large demonstration on Monday, the day election results are to be validated by the congress.

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3 Comment: A general strike supported by business and labor groups would embarrass the government but would not jeopardize Guevara's accession to the presidency. The Army shows every intention of using whatever force is needed to silence dissent over the election results. In the event of a strike or additional clashes between the security forces and the regime's opponents, the government probably will declare a state of siege. []

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Mexican Concern

8 Mexican Secretary of Defense General Galvan recently told a US official that he is convinced that the insurgency in Guatemala will eventually have an impact on Mexico's internal security. Although Galvan acknowledged that some members of the government prefer to ignore the problems posed by guerrilla activity along the border with Guatemala, he said that he intends to do his best to maintain control there. []

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8 Galvan claimed to have reached an agreement late last month with his Guatemalan counterpart that will ensure greater bilateral cooperation. He also expressed a willingness to exchange information with the US on Guatemalan guerrilla operations. []

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3 Comment: Galvan's comments reflect growing anxiety among senior Mexican military officials over the spread of insurgency in Central America and highlight differences in the government over Central American policy. Nevertheless, Mexican policymakers probably will continue to resist efforts for more effective military cooperation with Guatemala. []

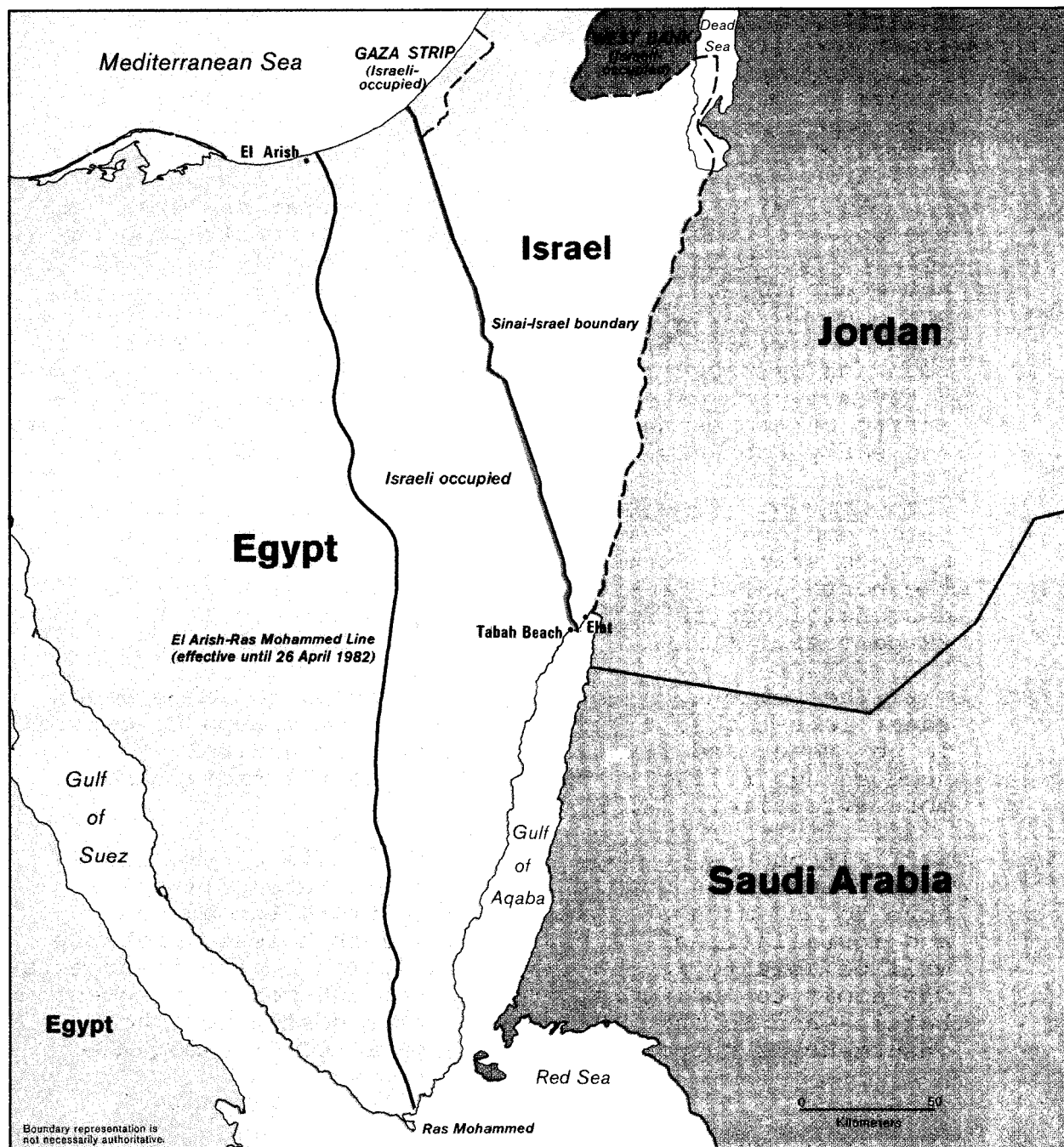
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③ ISRAEL-EGYPT: Boundary Disputes

$\frac{1}{2}$ Israeli officials continue to insist that all disputes over
 $\frac{2}{3}$ demarcation of the Sinai-Israel boundary be settled before Israel
 3 withdraws on 26 April. []

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$\frac{1}{2}$ Sixteen of 100 border segments remain in dispute,
 $\frac{2}{3}$ but only one, at Tabah Beach, where the Israelis have
 3 built two tourist facilities, is being strongly contested
 by Israel. The location of the border there was obscured
 during the late 1960s when the Israelis destroyed the
 border markers. Official Israeli plans for Tabah in
 1973 show the beach in Sinai, not Israel. []

$\frac{1}{2}$ Israeli officials say they are flexible about most
 $\frac{2}{3}$ of the disputed points but want the resorts at Tabah
 3 included within Israel. Until this dispute is settled,
 construction of crossing facilities at Tabah--one of
 the four entry checkpoints on the border--cannot begin.
 []

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$\frac{1}{2}$ Comment: Egypt and Israel probably will complete
 $\frac{2}{3}$ the boundary demarcation before 26 April, although they
 3 may not be able to finish their customs facilities at
 the four designated crossing points by the date of with-
 drawal. The tourist facilities at Tabah are within the
 Sinai, and Egypt will continue to demand ownership of
 Tabah Beach. []

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$\frac{1}{2}$ Prime Minister Begin probably will not make the
 $\frac{2}{3}$ issue a pretext for delaying withdrawal. He will urge
 3 the Egyptians to compromise, however, and he also may
 seek US intervention. Israeli Foreign Ministry officials
 reportedly believe that Egyptian Foreign Minister Ali,
 during his recent tour of the Sinai border with Defense
 Minister Sharon, for the first time showed an inclination
 to discuss a compromise. []

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⑤ USSR: Debate Over Investment Strategy

A recent Pravda article indicates that the debate is continuing over the investment priorities adopted last November in the five-year plan, which ends in 1985.

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Prominent Soviet economist Abel Aganbegyan criticizes what he views as the insufficient expansion of capacity for production of more and better quality machinery, which, he maintains, is crucial to regain the higher rates of growth of the past. Growth below this level would prevent the USSR from raising living standards.

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Aganbegyan--noting manpower shortages, a planned smaller share of output devoted to investment, and the rising cost of extracting natural resources--stresses the familiar theme that growth now heavily depends on raising output per worker. This, he says, can be attained only through much more rapid modernization and mechanization of industry. The Soviets, however, have been allocating only a small share of total investment to the machinery sector.

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1/2 Comment: The publication of the article in *Pravda* suggests support for these views within the top leadership, particularly from party Secretary Kirilenko, who has been the strongest supporter in the Politburo of machine-building. The dispute is not over the rate of growth of investment but over whether to allocate more to machinery, with less going to such sectors as land reclamation, chemicals, metallurgy, timber, and coal. These and other sectors, Kirilenko would argue, would benefit in the longer run.

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The shifts might well create new bottlenecks or intensify old ones. Moreover, they would have to come at the expense of growth in other sectors, thereby antagonizing powerful interest groups.

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⑥ VENEZUELA: Appeal to the US

1-5 *Venezuelan leaders are pleading for US help in dealing with economic and political problems caused by sagging oil prices, but so far they do not appear to be considering specific long-term solutions.* []

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1/2/3 Energy Minister Calderon Berti estimates that revenue for 1982 will be \$3.5 billion less than last year, and private estimates indicate a more severe drop. The Minister has told US officials privately that the losses cannot be offset by domestic spending cuts alone and urged the US to help. []

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1/2/3 Calderon Berti asked for a two-year agreement to supply oil for the US strategic reserve, which would enable Venezuela to meet minimum export needs. He noted Venezuela's past services to the US, including supplying petroleum during the OPEC boycott, and its current close cooperation on Caribbean Basin issues. []

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1/2/3 The ruling Social Christian Party is moving toward elections in 1983 burdened by an unpopular President, a stagnating economy, and political infighting over who should be the party's candidate. The opposition Democratic Action Party, which dominates congress, has scheduled an inquiry into the government's oil policy and hopes to broaden this into an attack on domestic and foreign policies. []

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4/5 Comment: Although President Herrera is making some effort to reduce spending, his alternatives are limited. Venezuela traditionally has offset unexpected drops in income by foreign borrowing, but, because of some past excesses, Herrera is committed not to use this method. Rather than cut back on social services, he may force the nationalized oil industry to absorb the drop in revenues. It could borrow abroad or cut investment, particularly in the multibillion-dollar Orinoco heavy oil development project. []

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⑨ USSR-IRAN: Sign of Soviet Displeasure

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Moscow's latest public displeasure over relations with Iran appears designed to caution Tehran that it will have to take new actions if the situation is to improve. An article in *Pravda* this week acknowledges improved economic cooperation but lists grievances against Iran. Among other things, it cites the reduction of Soviet diplomatic personnel in Tehran, the unilateral termination of the Society of Soviet-Iranian Cultural Relations, and the anti-Soviet rhetoric of Iranian media. The commentary also criticizes "conservative factions" in the leadership for obstructing closer bilateral relations.

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Comment: The article appears to be a warning that Moscow's tolerance for anti-Soviet actions is limited and that Tehran should meet the USSR halfway if it wants continued economic and military support. The Soviets may hope that Iran's current economic problem will provide the necessary impetus for improving political relations. The singling out of "conservative elements" may be aimed at weakening their positions in relation to the factions that apparently favor closer cooperation with the USSR.

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⑩ GREECE: Socialist Budget

The government's first proposed budget projects a deficit of \$4 billion, almost 10 percent of GNP. According to press reports, expenditures are to rise by 35 percent--roughly 10 percent in real terms--including increases of 27 percent for defense spending, 15 percent for salary and pension costs, and 42 percent for social welfare. Higher taxes are expected to produce a 58-percent increase in revenues, which would reduce the deficit by 5 percent.

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1/2 Comment: Revenue projections probably are too optimistic, particularly if output remains depressed. In addition, salary and pension expenditures, which comprise over one-third of the budget, almost certainly will rise more than projected because of large raises already granted to lower income workers and government promises to index wages. Prime Minister Papandreou sees this budget as creating favorable conditions for the five-year development plan beginning in 1983, but, with falling private investment, income redistribution, and an inflationary budget, economic problems are likely to intensify by the end of the year.

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⑪ EC: Roadblock to Sanctions Removed

1/3 Denmark's agreement to drop its procedural reservation against EC restrictions on imports from the USSR removes the final roadblock to carry out the EC sanctions that were put in final form late last week. The measures reportedly will be imposed early next week by all EC members except Greece, which continues to oppose sanctions.

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Comment: Other EC members probably convinced Copenhagen to drop its objection because of the minimal effect sanctions would have on Denmark's trade and because of the increasing pressures on the EC from Washington to take action.

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14 UK: Amphibious Ships Retained

The government has decided to keep two large landing ships that were to be scrapped, but it evidently will go through with the sale of a carrier to Australia. The carrier is to be delivered in late 1983, after a sister ship becomes operational. The UK has claimed to NATO that by keeping the ships it will maintain its amphibious capability at the current level. []

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Comment: All major amphibious ships were to be taken out of service by 1985, and the UK would have had difficulty fulfilling its NATO mission of rapidly reinforcing the northern flank or moving intervention forces outside the NATO area. Retaining the two ships will help but will not stop the decline of UK amphibious capabilities. Both Royal Navy officials and Conservative backbenchers apparently are resisting the decision to sell the carrier, and the government may have acted now in order to counter parliamentary opposition to the sale. []

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15 CHINA: Accelerated Population Growth

Beijing is forecasting a birth rate of about 2 percent per year for each of the next two years, up from an average of about 1.8 percent for each of the last two years. With a population of about 1 billion at the beginning of this year, this would result in an addition of some 28 million people by the end of 1983. Beijing now admits that the "one-child-per-couple" policy needs to be changed to make family planning more acceptable and realistic. Some provinces recognize that making the household rather than the commune the key agricultural production unit and assigning land on a per capita basis encourage large families. []

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Comment: The more rapid increase in population results in part from a higher proportion of couples of childbearing age in the population, a new law lowering the legal age for marriage, and the effects of the agricultural policy. The new trend threatens to prevent China from achieving its goal of keeping the population below 1.2 billion through the end of the century, and it will further impede economic development. []

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